

China / Hong Kong Company Update

Kingdee

Bloomberg: 268 HK Equity | Reuters: 0268.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

19 Aug 2022

BUY

Last Traded Price (18 Aug 2022): HK\$16.34 (HSI : 19,764)
Price Target 12-mth: HK\$26.40 (62% upside) (Prev HK\$29.10)

Analyst

Tsz Wang Tam +852 36684195 tszwangtam@dbs.com
Harry Zhuang harryzhuangy@dbs.com

What's New

- 1H22 cloud services revenue increased 35.5% y-o-y, in line with preliminary results
- Cloud services revenue contribution lifted to 76.4%, up by 10.3ppts y-o-y
- Remain positive about company's long-term growth prospects despite short-term macro headwinds
- Maintain BUY for strong cloud service revenue growth, despite a lower TP of HK\$26.4

Confident in long-term growth

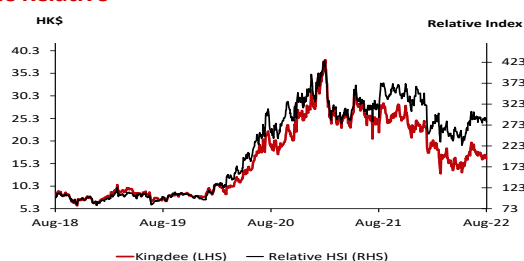
Investment Thesis

Cloud business has huge long-term potential. IDC expects China's enterprise application SaaS market to deliver a 22% CAGR during 2021-2026F, driven by cloud penetration in the SME market as well as large enterprises.

Domestic substitution for high-end ERP. Thanks to the narrowing technology gap, weakened migration barriers from cloud transformation, and the introduction of data security law, we expect domestic players to have a greater presence in the high-end market.

Subscription model creates higher customer value. The cloud subscription model provides recurring revenue and higher contract value vs. the traditional license model.

Price Relative



Valuation:

Our target price of HK\$26.4 is based on 12x FY23 P/S (previously 15x FY22F P/S). We have applied an upcycle P/S multiple to reflect the promising cloud segment growth.

Where we differ:

We are more positive about cloud revenue growth brought through the cloud subscription model than the market, despite short-term earnings pressure during the cloud transformation period.

Forecasts and Valuation

FY Dec (RMBm)	2021A	2022F	2023F	2024F
Turnover	4,174	5,108	6,398	7,905
EBITDA	(42)	(190)	23	243
Pre-tax Profit	(382)	(560)	(366)	(163)
Net Profit	(302)	(468)	(306)	(136)
Net Profit Gth (Pre-ex) (%)	9.9	(54.8)	34.6	55.6
EPS (RMB)	(0.09)	(0.14)	(0.09)	(0.04)
EPS (HK\$)	(0.11)	(0.16)	(0.11)	(0.05)
EPS Gth (%)	8.8	(51.9)	34.8	55.7
Diluted EPS (HK\$)	(0.11)	(0.16)	(0.11)	(0.05)
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	2.63	2.46	2.35	2.30
PE (X)	nm	nm	nm	nm
P/Cash Flow (X)	70.1	184.7	69.7	47.9
P/Free CF (X)	nm	nm	nm	3009.4
EV/EBITDA (X)	nm	nm	2012.3	187.7
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	6.2	6.6	6.9	7.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	(3.9)	(6.4)	(4.4)	(2.0)
Revenue Rev (%)		(3.4)	(3.8)	New
Consensus EPS (RMB)		(0.09)	(0.04)	0.04
Other Broker Recs:		B:38	S:0	H:4

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Key Risks to Our View:

Slower-than-expected cloud adoption. Any slowdown in cloud adoption by enterprises would lead to a deterioration of revenue and earnings.

Intensified competition. Cloud service revenue depends on the number of customers and the customer retention ratio. Intensified competition between market players would increase the customer acquisition costs and churn rate.

At A Glance

Issued Capital (m shrs)	3,472
Mkt Cap (HKm/US\$m)	56,732 / 7,232
Major Shareholders (%)	
Xu (Shao Chun)	20.2
Capital Research Global Investors	6.9
Free Float (%)	72.9
3m Avg. Daily Val. (US\$m)	24.58
GICS Industry: Information Technology / Software & Services	



Watchlist the stock on Insights Direct to receive prompt updates



WHAT'S NEW

1H22 results in line; long-term prospects intact despite short-term macro headwinds

1H22 results highlights

Revenue grew by 17.3% y-o-y to Rmb2,197m in 1H22, driven by 35.5% y-o-y expansion in cloud service revenue to Rmb1,677m. Cloud service revenue contributed 76.4% of total revenue in 1H22, up by 10.3ppts y-o-y. Subscription annual recurring revenue (ARR) and subscription-related contract liabilities surged 46.5% and 56% y-o-y, respectively. Revenue from ERP and other businesses decreased by 18.1% y-o-y.

Revenue from Kingdee Cloud Cosmic and Constellation increased 77.6% y-o-y to Rmb284m and dollar retention ratio remained stable at 100%. 476 customers were signed in 1H22, including 194 new customers, such as Shandong Heavy Industry, China General Technology Group, Minmetals International and etc. Cosmic and Constellation have helped 122 enterprises to complete localisation substitution.

Revenue from Kingdee Cloud Galaxy increased 16.1% y-o-y to Rmb786m, with stable dollar retention ratio of 89%. Subscription ARR for Kingdee Cloud Galaxy expanded by 53% y-o-y. Kingdee Cloud Galaxy signed more than 300 national and provincial novel elites of SMEs in 1H22, including DONG FANG ZHEN XUAN, Zhoushan Boeing, Shanghai Mabwell and etc. Operating margin for Kingdee Cloud Galaxy was 20%+.

Gross profit increased by 13.3% y-o-y to Rmb1,331m, with gross margin declining 2.1ppts to 60.6% due to increasing implementation costs from large enterprise model projects. Operating loss for cloud service rose by 18.8% y-o-y to Rmb515m.

Net loss expanded by 43.7% y-o-y to Rmb356m due to rising R&D expenses as well as the lower project delivery efficiency, owing to the COVID-19 resurgence in China. No interim dividend was proposed in 1H22, the same as last year.

Outlook

Going forward, the company has reiterated its subscription ARR growth target at a 50% CAGR in FY21-23, supported by favourable national policies for enterprise digitalisation and new product launches. The strong growth in ARR and subscription-related contract liabilities underpin promising

cloud services revenue growth in the future. The overall profitability would gradually improve with the increasing operating margin from the cloud segment.

National policies are supportive of enterprise digital transformations. In Mar 2022, the State-owned Assets Supervision and Administration Commission (SASAC) issued the *Guiding Opinions on Accelerating the Construction of a World-class Financial Management System by Chinese Central State-owned Enterprises* (關於中央企業加快建設世界一流財務管理體系的指導意見). We expect it to accelerate the digitalisation of central state-owned enterprises and increase Kingdee's penetration in the large enterprise market. In Aug 2022, the Ministry of Industry and Information Technology (MIIT) and the Ministry of Finance jointly issued the *Notice on Implementing Pilot Work of Financial Support for the Digital Transformation of Small and Medium-sized Enterprises* (關於開展財政支持中小企業數字化轉型試點工作的通知). The financial support will boost the digitalisation of SMEs amid the macro headwinds in China.

In May 2022, Kingdee officially launched its blockbuster HR SaaS product, Kingdee Cloud Constellation HR Cloud. The Constellation HR Cloud is built on Kingdee's Cosmic PaaS platform with Huawei as a prototype customer. Leveraging on Huawei's global HRM practice, the Constellation HR cloud would benefit Kingdee in the domestic HR SaaS field.

We cut our revenue estimates by 3% and 4%, respectively, for FY22 and FY23 to factor in impact from the macro headwinds in China. We forecast revenue to grow by 22%, 25%, and 24% for FY22, FY23, and FY24, respectively. We maintain BUY for Kingdee for its promising long-term growth prospects despite short-term macro headwinds. Our TP of HK\$26.4 is based on 12x FY23 P/S (previously 15x FY22 P/S).

Company Background

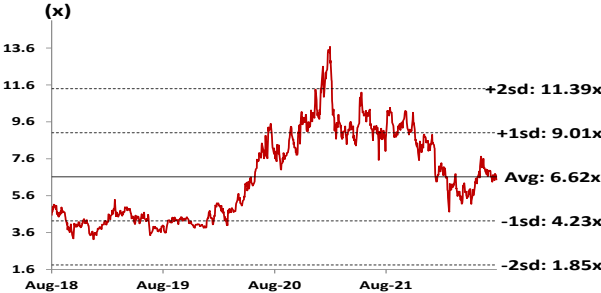
Kingdee is the second largest Chinese provider of ERP software in China with a focus on small and medium-sized enterprises.

Historical PS and PB band

Forward PS band (x)



PB band (x)



Source: Thomson Reuters, DBS HK

Kingdee

Key Assumptions

FY Dec	2020A	2021A	2022F	2023F	2024F
ERP revenue growth	(28.2)	(2.0)	(12.0)	(8.0)	(6.0)
Cloud service revenue growth	45.6	44.2	40.0	36.0	30.0
Operating profit margin	(12.5)	(11.3)	(12.0)	(6.4)	(2.6)

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenues (RMB m)					
Management Software business and Others	1,444	1,416	1,246	1,146	1,077
Cloud services	1,912	2,758	3,862	5,252	6,828
Total	3,356	4,174	5,108	6,398	7,905

Source: Company, DBS HK

Income Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenue	3,356	4,174	5,108	6,398	7,905
Cost of Goods Sold	(1,147)	(1,541)	(1,992)	(2,367)	(2,767)
Gross Profit	2,209	2,634	3,116	4,031	5,138
Other Opg (Exp)/Inc	(2,823)	(3,392)	(4,045)	(4,757)	(5,622)
Operating Profit	(614)	(758)	(929)	(726)	(484)
Other Non Opg (Exp)/Inc	198	291	319	319	283
Associates & JV Inc	(3)	8	5	5	5
Net Interest (Exp)/Inc	36	76	45	36	33
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	(383)	(382)	(560)	(366)	(163)
Tax	41	44	67	44	20
Minority Interest	6	36	25	16	7
Preference Dividend	0	0	0	0	0
Net Profit	(335)	(302)	(468)	(306)	(136)
Net Profit before Except.	(335)	(302)	(468)	(306)	(136)
EBITDA	75	(42)	(190)	23	243
Growth					
Revenue Gth (%)	0.9	24.4	22.4	25.3	23.6
EBITDA Gth (%)	(91.5)	N/A	(355.9)	N/A	972.6
Opg Profit Gth (%)	(1,194.6)	23.6	22.5	(21.9)	(33.3)
Net Profit Gth (%)	N/A	9.9	(54.8)	34.6	55.6
Margins & Ratio					
Gross Margins (%)	65.8	63.1	61.0	63.0	65.0
Opg Profit Margin (%)	(18.3)	(18.2)	(18.2)	(11.3)	(6.1)
Net Profit Margin (%)	(10.0)	(7.2)	(9.2)	(4.8)	(1.7)
ROAE (%)	(4.9)	(3.9)	(6.4)	(4.4)	(2.0)
ROA (%)	(3.5)	(2.8)	(4.2)	(2.7)	(1.2)
ROCE (%)	(8.3)	(9.3)	(12.0)	(9.9)	(6.8)
Div Payout Ratio (%)	N/A	N/A	N/A	N/A	N/A
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS HK

Kingdee

Interim Income Statement (RMB m)

FY Dec	1H2020	2H2020	1H2021	2H2021	1H2022
Revenue	1,387	1,969	1,872	2,302	2,197
Cost of Goods Sold	(363)	(785)	(698)	(842)	(866)
Gross Profit	1,025	1,184	1,174	1,459	1,331
Other Oper. (Exp)/Inc	(1,408)	(1,415)	(1,720)	(1,671)	(1,982)
Operating Profit	(383)	(231)	(546)	(212)	(651)
Other Non Opg (Exp)/Inc	129	69	191	100	198
Associates & JV Inc	(2)	(1)	7	1	4
Net Interest (Exp)/Inc	5	31	22	54	48
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	(251)	(132)	(325)	(57)	(402)
Tax	9	32	39	5	13
Minority Interest	18	(11)	38	(2)	32
Net Profit	(224)	(111)	(248)	(54)	(356)
Net profit bef Except.	(224)	(111)	(248)	(54)	(356)

Growth

Revenue Gth (%)	(6.6)	7.0	35.0	16.9	17.3
Opg Profit Gth (%)	(20,905.1)	(525.3)	42.6	(8.0)	19.3
Net Profit Gth (%)	N/A	N/A	(10.8)	51.4	(43.7)

Margins

Gross Margins (%)	73.9	60.2	62.7	63.4	60.6
Opg Profit Margins (%)	(27.6)	(11.7)	(29.2)	(9.2)	(29.6)
Net Profit Margins (%)	(16.1)	(5.7)	(13.3)	(2.4)	(16.2)

Source: Company, DBS HK

Balance Sheet (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Net Fixed Assets	746	1,045	1,232	1,430	1,638
Invts in Associates & JVs	403	393	393	393	393
Other LT Assets	3,389	5,178	5,357	5,606	5,937
Cash & ST Invts	4,017	2,422	1,961	1,814	1,872
Inventory	19	30	35	39	43
Debtors	334	392	412	432	454
Other Current Assets	1,814	1,626	1,626	1,626	1,626
Total Assets	10,722	11,087	11,016	11,340	11,964
ST Debt	120	0	0	0	0
Creditors	795	759	721	685	651
Other Current Liab	1,684	2,324	2,803	3,467	4,243
LT Debt	0	0	5	0	0
Other LT Liabilities	165	200	177	200	225
Shareholder's Equity	7,790	7,596	7,128	6,822	6,687
Minority Interests	169	207	182	166	159
Total Cap. & Liab.	10,722	11,087	11,016	11,340	11,964
Non-Cash Wkg. Capital	(312)	(1,035)	(1,451)	(2,054)	(2,770)
Net Cash/(Debt)	3,897	2,422	1,956	1,814	1,872
Debtors Turn (avg days)	34.9	31.7	28.7	24.1	20.5
Creditors Turn (avg days)	224.3	184.1	135.6	108.4	88.1
Inventory Turn (avg days)	4.2	5.8	6.0	5.7	5.4
Asset Turnover (x)	0.4	0.4	0.5	0.6	0.7
Current Ratio (x)	2.4	1.4	1.1	0.9	0.8
Quick Ratio (x)	1.7	0.9	0.7	0.5	0.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	294.1	N/A	15,519.4	N/A	N/A
Z-Score (X)	0.0	0.0	0.0	0.0	NA

Source: Company, DBS HK

Kingdee

Cash Flow Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Pre-Tax Profit	(383)	(382)	(560)	(366)	(163)
Dep. & Amort.	513	432	449	425	439
Tax Paid	(14)	(7)	44	67	44
Assoc. & JV Inc/(loss)	3	(8)	(5)	(5)	(5)
(Pft)/ Loss on disposal of FAs	(36)	11	0	0	0
Chg in Wkg.Cap.	364	560	416	603	716
Other Operating CF	26	55	(88)	(45)	(42)
Net Operating CF	473	661	256	679	990
Capital Exp.(net)	(353)	(772)	(776)	(866)	(974)
Other Invt.(net)	(500)	(39)	0	0	0
Invt in Assoc. & JV	(133)	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(506)	(394)	54	45	42
Net Investing CF	(1,491)	(1,205)	(722)	(821)	(932)
Div Paid	(37)	0	0	0	0
Chg in Gross Debt	(80)	(120)	5	(5)	0
Capital Issues	2,132	9	0	0	0
Other Financing CF	(50)	(33)	0	0	0
Net Financing CF	1,966	(144)	5	(5)	0
Currency Adjustments	(93)	(19)	0	0	0
Chg in Cash	855	(707)	(461)	(147)	58
Opg CFPS (RMB)	0.03	0.03	(0.05)	0.02	0.08
Free CFPS (RMB)	0.04	(0.03)	(0.16)	(0.06)	0.00

Source: Company, DBS HK

Kingdee

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	18-Nov-21	HK\$27.70	HK\$36.20	Buy
2:	17-Mar-22	HK\$15.62	HK\$29.10	Buy

Source: DBS HK

Analyst: Tsz Wang Tam

Harry Zhuang

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 19 Aug 2022 10:18:52 (HKT)

Dissemination Date: 19 Aug 2022 10:35:38 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.


COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 16 Aug 2022.
2. **Compensation for investment banking services:**
DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.
3. **Disclosure of previous investment recommendation produced:**
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;"> Wong Ming Tek, Executive Director, ADBSR</p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
Thailand	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact [Chanpen Sirithanarattanaku] at [research@th.dbs.com]</p>
United Kingdom	<p>This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority</p> <p>This report is disseminated in the United Kingdom by DBS Bank Ltd, London Branch ("DBS UK"). DBS Bank Ltd is regulated by the Monetary Authority of Singapore. DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS UK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>

Dubai International Financial Centre	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our--network/default.page.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>
United States	<p>This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
Other jurisdictions	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam

13th Floor One Island East,
18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Paul Yong

12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,
9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand